

## Message Text

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ACTION TRSE-00

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FM AMEMBASSY LISBON

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C O N F I D E N T I A L LISBON 6390

E.O. 11652: GDS

TAGS: EFIN PO

SUBJ: IMF/WORLD BANK ANNUAL MEETING

REF: STATE 203590

1. FOLLOWING ARE KEYED TO PARA 2 REFTEL:

A. EMBASSY BELIEVES GOP WILL RAISE NO SUSTANTIVE PROPOSALS IN PLENARY SESSIONS. HOWEVER, PORTUGUESE DEL WILL ALMOST CERTAINLY CONSULT WITH IMF OFFICIALS ON PROGRESS OF CURRENT GOP STABILIZATION PROGRAM AND GOP INTENTIONS TO SEEK AGREEMENTS ON HIGHER TRANCHE STANDBY AND WITTEVEEN FACILITY LATER THIS YEAR. GOP EXPECTS FUND MISSION WILL COME TO PORTUGAL SOMETIME IN OCTOBER TO PURSUE THESE POSSIBILITIES. GOP DEL WILL LIKELY CONSULT ALSO WITH BANK OFFICIALS ON VARIOUS PROJECTS ALREADY APPROVED OR PENDING FOR PORTUGAL.

B. GOP DEL WILL PROBABLY WANT TO DISCUSS THE FOLLOWING WITH U.S. REPS AND OTHER USG OFFICIALS IN WASHINGTON:

1. CURRENT GOP CRISIS (SEE D BELOW)
  2. FUTURE GOP FINANCIAL REQUIREMENTS, INCLUDING 1979 BUDGET AND GOVERNMENT INVESTMENT PLANS. THEY WILL PROBABLY ADDRESS ALSO GOP INTENTIONS REGARDING PREPARATION OF MEDIUM TERM DEVELOPMENT PLAN (FYI: NEW FINANCE AND PLANNING
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MINISTER SILVA LOPES, WHO WILL ATTEND WASHINGTON MEETINGS, IS NOW LEANING TOWARD POSTPONING DRAFTING OF SUCH A PLAN IN VIEW OF TENUOUS PROSPECTS FOR NEW GOVERNMENT'S LONG-TERM SURVIVABILITY. END FYI)

3. USG SUPPORT FOR THE GOP INITIATIVES VIS-A-VIS THE FUND MENTIONED ABOVE.

C. USG SHOULD USE OPPORTUNITY OF BILATERAL CONTACTS

WITH GOP DEL TO STRESS NEED FOR:

1. CONTINUED GOP ADHERENCE TO CURRENT IMF-APPROVED STABILIZATION PROGRAM, ESPECIALLY DOMESTIC CREDIT PROVISIONS.
2. CONTINUATION OF STABILIZATION POLICIES IN 1979, TO BE REFLECTED INTER ALIA IN BUDGET POLICY (FYI: ONE OF FINANCE MINISTER'S PRIORITY TASKS AFTER HE RETURNS FROM WASHINGTON MEETINGS WILL BE TO PREPARE 1979 BUDGET PROPOSAL. END FYI)
3. PROMPT PREPARATION OF EXPLICIT GOP POLICY STATEMENT ON STABILIZATION AND MEDIUM TERM DEVELOPMENT GOALS, ESPECIALLY IN ABSENCE OF COMPREHENSIVE MEDIUM TERM PLAN.

D. SIX MONTHS OLD SECOND CONSTITUTIONAL GOVT. FELL IN EARLY AUGUST FOLLOWING GOVERNING COALITION PARTNERS' FAILURE TO RESOLVE MAJOR DIFFERENCES OVER AGRARIAN REFORM AND SOCIAL WELFARE POLICIES. INABILITY OF POLITICAL PARTIES TO PRODUCE AN UNDERSTANDING THAT WOULD PROVIDE BASIS FOR NEW GOVERNMENT WITH ASSURED ASSEMBLY SUPPORT LED PRESIDENT EANES TO NAME AN INDEPENDENT (NOBRE DA COSTA, AN INDUSTRIALIST AND A FORMER INDUSTRY MINISTER) TO HEAD THE NEW GOP. THIRD CONSTITUTIONAL GOVERNMENT IS BEING SWORN IN TODAY, AUGUST 29. THE FIFTEEN MEMBER CABINET, COMPOSED OF TECHNOCRATS AND INDEPENDENTS, INCLUDES DR. JOSE DA SILVA LOPES AS MINISTER OF FINANCE AND PLANNING. UNTIL NOW SILVA LOPES WAS BANK OF PORTUGAL GOVERNOR. NEW  
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GOP PLANS TO SUBMIT ITS GOVERNMENT PROGRAM ON SEPTEMBER 11 FOR LEGISLATIVE ASSEMBLY REVIEW. EVEN IF ASSEMBLY DOES NOT REJECT THE PROGRAM (AND THE GOVERNMENT IS THUS CONFIRMED), THE NEW GOVERNMENT'S LIVE EXPECTANCY COULD BE AS SHORT AS 4-6 MONTHS. SEPTELS PROVIDE DETAILS ON ABOVE DEVELOPMENTS. WE WILL ALSO UPDATE THIS MESSAGE PRIOR TO OPENING OF WORLD BANK GROUP MEETING.

E. SILVA LOPES WILL HEAD GOP DEL. PROBABLY ALTERNATES ARE OUTGOING FINANCE MINISTER VITOR CONSTANCIO (WHO WILL RESUME FORMER DUTIES AS ONE OF BANK OF PORTUGAL VICE GOVERNORS) AND RUI VILAR, BANK OF PORTUGAL VICE GOVERNOR.

2. WE ANTICIPATE REQUEST FOR BILATERALS WITH MEMBERS OF U.S. DEL AND POSSIBLE OTHER USG OFFICIALS. WILL ADVISE AS SOON AS WE HAVE DETAILS.

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## Message Attributes

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